

Financial Crimes Enforcement Network

Mission Statement

To safeguard the nation's financial system from the abuses of financial crime, including terrorist financing, money laundering, and other illicit activity.

Program Summary by Appropriations Account

Dollars in Thousands

Appropriation	FY 2006	FY 2007	FY 2007	FY 2008		
	Enacted	President's Budget	CR-rate	Request	\$ from CR-rate	% from CR-rate
Salaries and Expenses						
BSA Administration and Analysis	\$64,458	\$81,143	\$62,132	\$76,889	\$14,757	23.75%
Regulatory Support Programs	8,436	8,651	8,436	8,955	519	6.15%
Total Appropriated Resources	\$72,894	\$89,794	\$70,568	\$85,844	\$15,276	21.65%

FY 2008 Priorities

- Improve project management practices throughout the organization for information technology and non-information technology planning; and
- Strengthen recovery capability for mission-critical information technology systems and emergency operation capabilities in the event of a sustained outage or other emergency.

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Section 1 – Purpose

1A – Description of Bureau Vision and Priorities

The Financial Crimes Enforcement Network (FinCEN), a bureau within Treasury's Office of Terrorism and Financial Intelligence, is responsible for administering the Bank Secrecy Act (BSA). The BSA requires financial institutions to file reports on certain types of financial activity and to establish appropriate internal controls to guard against money laundering, terrorist financing, and other types of illicit finance. FinCEN fulfills its responsibility as BSA administrator by supporting law enforcement, intelligence, and regulatory agencies through sharing and analysis of financial intelligence; building global cooperation with counterpart financial intelligence units; and networking people, ideas, and information.

FinCEN's administration of the BSA has helped create transparency in the financial system, thus strengthening the nation's defenses against criminals that launder illicit proceeds in the United States. FinCEN's use of powerful tools, such as the BSA and the USA PATRIOT Act, help accomplish its mission of protecting the financial system from abuse.

Finally, FinCEN's vision is to become an adaptive, responsive organization through efficient and effective collaboration with applicable individuals, entities, and agencies.

FinCEN's priorities are linked to the following strategic goals:

- Protecting the financial system through effective administration of the BSA;
- Combating terrorism, money laundering, and other financial crime through analysis of BSA data and other relevant information;
- Intensifying international anti-money laundering collaboration through the global network of financial intelligence units; and
- Facilitating regulatory compliance, data management, and information sharing through E-Government.

1B – Program History and Future Outlook

To fulfill its mission, goals and priorities, FinCEN: (1) issues, interprets, and enforces compliance with regulations implementing the BSA, including provisions of Title III of the USA PATRIOT Act; (2) supports and oversees compliance examination functions delegated to other federal regulators; (3) manages the collection, processing, storage, and dissemination of BSA data; (4) maintains a government-wide access service to the BSA data and networks users with overlapping interests; (5) in coordination with Treasury's Office of Intelligence and Analysis, conducts analysis in support of policy makers, law enforcement, regulatory and intelligence agencies, and the financial industry; and (6) coordinates with and collaborates on anti-terrorism and anti-money laundering initiatives with domestic law enforcement and intelligence agencies, and with the foreign financial intelligence unit counterparts.

FinCEN works closely with federal and certain state regulatory agencies that examine financial institutions for BSA compliance to ensure consistency across regulated industries in the examination for compliance and with the application of BSA requirements. Through these efforts and direct outreach, FinCEN also assists regulated financial institutions in establishing risk-based anti-money laundering programs with appropriate policies, procedures, and internal controls, maintaining certain records, and filing reports on certain types of financial activity, as required under the BSA. As appropriate, FinCEN investigates alleged violations, and issues letters of caution or warning. When required, FinCEN imposes civil money penalties for egregious BSA violations.

FinCEN supports law enforcement agencies, intelligence agencies, and foreign Financial Intelligence Units (FIU) investigating financial crimes by providing specialized and unique analysis of the BSA data along with data from law enforcement, intelligence, and commercial sources. FinCEN's analyses support regulatory and policy decisions, and are used to develop threat assessments, industry reports, and technical guides describing financial transaction mechanisms. The analysis links data collected under the BSA with other data to provide support for regulatory and policy decisions, to support law enforcement agencies investigating financial crimes, and to support intelligence agencies. FinCEN proactively identifies individuals and networks with suspicious financial activity and refers that information to appropriate law enforcement agencies.

In the global arena, FinCEN supports international initiatives to educate other jurisdictions about the BSA regulatory regime and to establish international anti-money laundering regulatory standards and norms. The bureau also seeks to expand and organize the exchange of financial information; improve the expertise and capabilities of personnel in money laundering and terrorist financing areas; and foster better and more secure communication among FIUs through technology.

As administrator of the BSA, FinCEN must ensure the effective collection, management, and dissemination of the highly sensitive confidential information collected under the Act. FinCEN provides direct access to BSA data to authorized law enforcement, regulatory, and intelligence agencies. FinCEN will continue to integrate and modernize the various components of the BSA data collection and sharing systems. These efforts include upgrading the BSA E-Filing system to provide a more robust collection function, improving the quality of BSA data by preventing the omission of critical information, validating the information collected, and upgrading the BSA analytical tools used by FinCEN analysts.

FinCEN's regulatory efforts focus on meeting the expectations of both the regulated communities and those who examine for BSA compliance, and better protecting the financial system through effective administration of the BSA. Specific FY 2006 accomplishments in the regulatory area were:

- Enhanced outreach to regulated industries through increased written and oral guidance concerning BSA requirements;

- Issued a final rule requiring financial institutions to implement appropriate, specific, and, where necessary, enhanced due diligence policies, procedures, and controls regarding correspondent accounts established or maintained for certain foreign financial institutions and appropriate, specific due diligence policies, procedures, and controls and, where necessary, enhanced scrutiny regarding private banking accounts established or maintained for non-U.S. persons, in accordance with Section 312 of the USA PATRIOT Act;
- Issued a final rule requiring mutual funds and certain insurance companies to report suspicious activity;
- Proposed a rule imposing special measures against foreign financial institutions determined to be of primary money laundering concern, in accordance with Section 311 of the USA PATRIOT Act;
- Signed additional information sharing agreements for the exchange of BSA examination information with state banking and credit union authorities; and
- Issued major enforcement actions for egregious BSA violations.

FinCEN will expand regulatory efforts in FY 2007/FY 2008 to include:

- Implementing regulatory amendments and other modifications relating to money services businesses, subsequent to a review of the existing regulatory framework and current issues;
- Continuing to draft an anti-money laundering program rule for loan and finance companies;
- Finalizing anti-money laundering program rules for investment advisers, commodity trading advisers, commodity pool operators, and unregistered investment companies;
- Continuing a review of the company service provider/corporate agent industry to determine the appropriateness of issuing guidance/advisories and/or an anti-money laundering program requirement for that industry;
- Increasing coordination with other agencies to identify and educate unregistered and/or unlicensed money services businesses;
- Increasing efforts to provide regulatory partners with analytical products and information to identify institutions with potential compliance problems, thereby enhancing consistency across examinations;
- Continuing to issue major enforcement actions, as necessary, for systemic non-compliance with BSA requirements, including joint or concurrent actions with federal and state regulatory agencies; and
- Issuing one or more notices of proposed rulemaking to further define stored value and to require certain participants to register, file suspicious activity reports and establish customer programs.

FinCEN's analytic efforts focus on assisting federal and state regulatory authorities in identifying vulnerabilities within the financial sector and the law enforcement community in detecting, deterring and investigating terrorism funding, money laundering and financial crime. Specific FY 2006 accomplishments in the analysis area were:

- Enhanced support to law enforcement agencies by increasing advanced, specialized or unique analysis of BSA information and other records, and by providing training in

advanced analytical tools to law enforcement agencies in support of terrorism and money laundering investigations;

- Published analytical products covering patterns and trends in financial crimes that serve as a basis for policy decisions and strategic action to reduce the threat of financial crime. Also published a technical industry reference guide for law enforcement officials;
- Completed collaborative analytic efforts with other organizations, including foreign financial intelligence units;
- Published two editions of FinCEN's *SAR Activity Review-By the Numbers*, a compilation of numerical data gathered from Suspicious Activity Reports (SARs) filed since 1996 and used by financial institutions, law enforcement, regulators and other readers;
- Completed assessment of potential money laundering vulnerabilities associated with limited liability companies;
- Continued to support candidate FIUs in the Middle East, Asia and Africa for admission to the Egmont Group, conducted on-site assessments of potential new members, and provided technical assistance to a number of key countries with emerging FIUs;
- Supported Treasury initiatives by identifying jurisdictions or institutions as candidates for imposition of special measures under section 311 of the USA PATRIOT Act; and
- Participated in the Financial Action Task Force (FATF) and the global network of FATF-style regional bodies. This included coordinating development of a FATF multilateral database of money laundering and terrorist financing cases, for use in researching financial crime trends and indicators.

FinCEN will continue to develop and enhance its analytical and technical capabilities in FY 2007/2008, especially in the area of advanced or unique BSA analysis. These efforts include:

- Improving the pro-active evaluation, analysis and referral of potential terrorism-related Suspicious Activity Reports (SAR) to the law enforcement and intelligence communities;
- Improving capabilities and methodologies for geographic and industry threat assessments and for financial analysis;
- Producing an annual threat/targeting assessment of the Southwest Border;
- Developing better customer access to FinCEN's strategic products through its secure and public web sites;
- Increasing the number of analyst exchanges with partner FIUs;
- Increasing outreach to U.S. law enforcement and regulatory agencies to educate them on the benefits provided by the global network of FIUs in terms of investigative and intelligence resources and information sharing;
- Improving the expertise and capabilities of personnel in money laundering and terrorist financing areas; and
- Fostering more secure communication among FIUs through the application of technology.

FinCEN's BSA data collection and sharing efforts focus on improving its overall information infrastructure and enhancing its IT management capabilities. Specific FY 2006 accomplishments related to the collection and sharing of BSA data were:

- Executed memoranda of understanding with 34 law enforcement and intelligence agencies for access to the BSA Data;
- Modernized the Secure Outreach access system, 314(a) system, and 90 percent of the Egmont Secure Web System upgrade;
- Increased the percentage of BSA reports filed electronically by 19 percent by providing outreach and technical assistance to the largest filers;
- Established a monitoring program to improve the quality of SAR data, by identifying the critical fields that are most often left blank; and
- Conducted a feasibility study regarding a cross-border wire transfer system, as mandated by the Intelligence Reform and Terrorism Prevention Act of 2004.

FinCEN will accelerate data collection and sharing efforts in FY 2007/FY2008 to include:

- Creating an action plan to improve data management and analysis as a follow-on to the BSA Direct retrieval and sharing component project assessment;
- Upgrading various technology components to meet the expanded user population, increasing electronic filing alternatives, and enhancing the ability to integrate additional text/data mining tools;
- Conducting a cost-benefit analysis with the financial services industry and law enforcement to determine the benefits and costs to all parties affected by the potential regulatory requirement of the cross-border electronic funds system, and, if a final decision is made by Treasury to proceed, beginning development of the technological systems required to receive, securely store, analyze and disseminate these data;
- Establish and maintain a disaster recovery capability for critical systems to minimize or eliminate system downtime in the event of the loss of access or system use at FinCEN's primary location; and
- Enhance project management capability and oversight of information technology projects by expanding Capital Investment Planning, Enterprise Architecture, Configuration Management and Change Management controls.

Section 2 – Budget Adjustments and Appropriation Language

2.1 – Budget Adjustments Table

Dollars in Thousands

Appropriation: Appropriation Name	FTE	Amount
FY 2006 Appropriation (P.L. 109-115)	330	\$73,630
Rescission (P.L. 109-148)	0	\$(736)
FY 2006 Enacted	330	\$72,894
FY 2007 President's Budget	352	\$89,794
CR-rate Adjustment	(18)	(19,226)
FY 2007 CR-rate	334	\$70,568
Changes to Base:		
Technical Adjustment to FY 2007 Base due to CR:		
Annualization of the FY 2006 Initiatives	18	2,498
FY 2007 Initiatives		3,373
FY 2007 MCL		3,395
Maintaining Current Levels (MCLs):		
Non-Pay Inflation Adjustment		1,335
Pay Annualization		203
Pay Inflation Adjustment		1,239
Initiative Annualization:		
Annualization of FY 2007 Initiative: BSA E-Filing		740
Total FY 2008 Base	352	\$83,351
Program Increases:		
Disaster Recovery Capability		743
Enhance Project Management Capability	4	1,750
Subtotal FY 2008 Program Changes	4	2,493
Total FY 2008 Request	356	\$85,844

2A – Budget Increases and Decreases Description

Adjustments-\$19,226,000 / -18 FTE

CR-rate Adjustment -\$19,226,000 / -18 FTE Adjustment from the FY 2007 President's Budget to reach the FY 2007 Continuing Resolution annualized rate (CR-rate).

Technical Adjustment to FY 2007 Base due to CR+\$9,266,000 / +18 FTE

Annualization of the FY 2006 Initiatives +\$2,498,000 / +18 FTE This provides additional funding to annualize the staffing initiative approved in FY 2006. The increased staff enables the bureau to better assess and respond to the challenges posed by terrorist financiers and operatives, money launderers, and other perpetrators of financial crime against domestic and global financial systems.

FY 2007 Initiatives +\$3,373,000 / +0 FTE Restores requested funding for FY 2007 increases for BSA E-Filing (\$873,000) and the Cross-Border Wire Transfer (\$2,500,000). The BSA E-Filing funds will enable FinCEN to implement enhancements to improve operations of the Bank Secrecy Act (BSA) collection processes, including reference number assignment, error notification or other correspondence, and improved editing of certain types of filing errors. The requested Cross-Border Wire Transfer System funds will enable FinCEN to begin the design and, if the Secretary gives final approval, the initial development of the technological systems required to receive, securely store, analyze, and disseminate reports of cross-border electronic funds transfers. This is in accordance with the Intelligence Reform Act of 2004, Section 6302.

FY 2007 MCL +\$3,395,000 / +0 FTE This provides restoration of funding required for the FY 2007 costs of the FY 2006 pay increase of \$229,000; the proposed January 2007 pay raise and other labor related benefits of \$635,000; non-labor related items such as contracts, travel, supplies, equipments, and GSA rent adjustments of \$1,065,000, and deferred replacement of information technology equipment and other planned contracts of \$1,466,000.

Maintaining Current Levels (MCLs)+\$2,777,000 / +0 FTE

Non-Pay Inflation Adjustment +\$1,335,000 / +0 FTE Funds are requested for non-labor related items such as contracts, travel, supplies, equipment and GSA rent adjustments.

Pay Annualization +\$203,000 / +0 FTE Funds are requested for the FY 2008 cost of the January 2007 pay increase.

Pay Inflation Adjustment +\$1,239,000 / +0 FTE Funds are requested for the proposed January 2008 pay raise.

Initiative Annualization+\$740,000 / +0 FTE

Annualization of FY 2007 Initiative: BSA E-Filing +\$740,000 / +0 FTE This provides additional funding to annualize the remaining required modernization and service level increases that were included in the FY 2007 Budget Request. The BSA E-Filing program has experienced continued success in increasing the number of filers and electronic filings. To meet the future 90 percent E-filing target, FinCEN must increase funding to support the expected user population. For example, with every 10 percent increase in E-filing volumes, additional support staff is required. In addition, most filers require a test on the filing system prior to beginning live input, requiring additional contractor assistance. To improve the system, FinCEN will continue to expand options for single form filers, including the new pdf format option began in FY 2007. Finally, overall improvements are in the system network (which also goes with the implementation of IPV6) in terms of adding capacity, networking equipment upgrades, and backup capabilities.

Program Increases+\$2,493,000 / +4 FTE

Disaster Recovery Capability +\$743,000 / +0 FTE Funds are requested to provide ongoing site maintenance, telecommunications and system hosting for the critical information technology system disaster recovery site established in FY 2006/2007 through redirection of one-time prior year funding. By establishing this capability for critical system redundancy, FinCEN has reduced the system recovery time from six months to four hours and significantly reduced the risk of losing access to critical systems. The maintenance of the disaster recovery capability will allow FinCEN, in the event of a sustained outage or other emergency, to continue critical systems that access the BSA data through the Secure Outreach portal, provide 314a information sharing capability with financial institutions, allow Financial Intelligence Units to reply to requests for information, or continue to receiving new BSA reports through the BSA E-Filing system.

Enhance Project Management Capability +\$1,750,000 / +4 FTE The 2008 President's Budget request includes additional resources to meet OMB, Treasury and GAO recognized requirements to improve FinCEN's project management capability. A recent review of FinCEN's programs has identified a need to strengthen project management practices throughout the organization,

including both information technology and non-information technology projects. A portion of this initiative will fund IT program and support activities including capital planning, enterprise architecture, information security, and contractor technical assistance. FinCEN has traditionally performed many of these activities as a collateral duty with limited assistance from the Federal Funded Research and Development Centers (FFRDC) and private contractors. Another portion of this initiative will fund project management oversight to ensure successful planning and execution for all of FinCEN's project management efforts.

2.2 – Operating Levels Table

Dollars in Thousands

Appropriation Title: FMS Salaries & Expenses	FY 2006 Enacted	FY 2007 President's Budget	CR-rate Adjustment	FY 2007 CR-rate	Proposed Reprogramming	FY 2007 Proposed Operating Level	FY 2008 Requested Level
FTE	330	352	(18)	334		334	338
Object Classification:							
11.1 Full-Time Permanent Positions.....	\$27,310	\$29,345	(\$1,434)	\$27,911		\$27,911	\$30,790
11.1 Other than Full-Time Permanent Positions.....	284	284		284		284	284
11.5 Other Personnel Compensation.....	526	526		526		526	526
11.8 Special Personal Services Payments.....	0	0					
11.9 Personnel Compensation (Total).....	28,120	30,155	(1,434)	28,721		28,721	31,600
12.0 Personnel Benefits.....	7,156	7,789	(397)	7,392		7,392	8,433
13.0 Benefits to Former Personnel.....	0	0					
21.0 Travel.....	1,332	1,561	(681)	880		880	1,490
22.0 Transportation of Things.....	0	0					
23.1 Rental Payments to GSA.....	4,800	4,968		4,968		4,968	5,117
23.2 Rent Payments to Others.....	43	55		55		55	55
23.3 Communications, Utilities, & Misc.....	1,070	995		995		995	1,273
24.0 Printing and Reproduction.....	250	250		250		250	400
25.1 Advisory & Assistance Services.....	522	750	(47)	703		703	1,815
25.2 Other Services.....	9,279	19,642	(11,548)	8,094		8,094	11,758
25.3 Purchase of Goods/Serv. from Govt. Accts.....	9,454	9,892	(623)	9,269		9,269	12,706
25.4 Operation & Maintenance of Facilities.....	960	960	(60)	900		900	960
25.5 Research & Development Contracts.....	0	0					
25.6 Medical Care.....	120	128	(8)	120		120	145
25.7 Operation & Maintenance of Equipment.....	6,008	6,150	(387)	5,763		5,763	4,990
25.8 Subsistence & Support of Persons.....	0	0					
26.0 Supplies and Materials.....	369	395	(20)	375		375	409
31.0 Equipment.....	3,411	6,104	(4,021)	2,083		2,083	4,693
32.0 Lands and Structures.....	0	0					
33.0 Investments & Loans.....	0	0					
41.0 Grants, Subsidies.....	0	0					
42.0 Insurance Claims & Indemn.....	0	0					
43.0 Interest and Dividends.....	0	0					
44.0 Refunds.....	0	0					
Total Budget Authority.....	\$72,894	\$89,794	(\$19,226)	\$70,568	\$0	\$70,568	\$85,844
Budget Activities:							
BSA Administration and Analysis.....	\$64,458	\$81,143	(19,011)	62,132		62,132	76,889
Regulatory Programs.....	8,436	8,651	(215)	8,436		8,436	8,955
Total Budget Authority.....	\$72,894	\$89,794	(\$19,226)	\$70,568	\$0	\$70,568	\$85,844

2B – Appropriation Language

Appropriations Language	Explanation of Changes
<p>DEPARTMENT OF THE TREASURY FINANCIAL CRIMES ENFORCEMENT NETWORK</p> <p>Federal Funds</p> <p>SALARIES AND EXPENSES:</p> <p><i>For necessary expenses of the Financial Crimes Enforcement Network, including hire of passenger motor vehicles; travel and training expenses of non-Federal and foreign government personnel to attend meetings and training concerned with domestic and foreign financial intelligence activities, law enforcement, and financial regulation; not to exceed \$14,000 for official reception and representation expenses; and for assistance to Federal law enforcement agencies, with or without reimbursement, \$85,844,000 of which not to exceed \$16,340,000 shall remain available until September 30, 2010; and of which \$8,955,000 shall remain available until September 30, 2009: Provided, that funds appropriated in this account may be used to procure personal services contracts.</i></p>	

2C – Legislative Proposals

FinCEN has no legislative proposals for FY 2008.

Section 3 – Budget and Performance Plan

3.1 – Appropriation Detail Table

Dollars in Thousands

Resources Available for Obligation	FY 2006 Enacted		FY 2006 Obligations		FY 2007 President's Budget		FY 2007 CR-Rate		FY 2008 Request		% Change FY 2007 to FY 2008	
	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT
New Appropriated Resources:												
BSA Administration and Analysis	330	\$64,458	330	\$64,458	352	\$81,143	334	\$62,132	356	\$76,889	6.59%	23.75%
Regulatory Support Programs	0	8,436		8,436	0	\$8,651	0	\$8,436	0	8,955		6.15%
Subtotal New Appropriated Resources	330	\$72,894	330	\$72,894	352	\$89,794	334	\$70,568	356	\$85,844	6.59%	21.65%
Other Resources:												
Recoveries												
Offsetting collections - reimbursables	1	\$4,473	1	\$4,473	1	\$1,541	1	\$1,541	1	\$1,541		0.00%
Available 50% Carry-over		260		260		0		0		0		
Available multi-year/no-year funds		7,028		7,028		9,353		9,353		7,028		-24.86%
Transfers In/Out												
Subtotal Other Resources	1	\$11,761	1	\$11,761	1	\$10,894	1	\$10,894	1	\$8,569		
Total Resources Available for Obligation	331	\$84,655	331	\$84,655	353	\$100,688	335	\$81,462	357	\$94,413	6.57%	15.90%

3A – BSA Administration and Analysis (\$76,889,000 from direct appropriations and \$1,541,000 from reimbursable programs): This activity comprises FinCEN's efforts to administer the Bank Secrecy Act (BSA), such as promulgating regulations, providing outreach and guidance to the regulated industries, initiating regulatory enforcement actions, providing oversight of the compliance with the Bank Secrecy Act, and, with the Internal Revenue Service, managing the information filed by the regulated industries. Internationally, FinCEN promotes the development of anti-money laundering regimes through training and technical assistance. This activity also incorporates efforts to support large-scale, complex law enforcement investigations involving terrorist financing, money laundering, and other financial crimes. It also includes facilitating the exchange of investigative information with foreign jurisdictions, and identifying foreign and domestic money laundering and terrorist financing trends, patterns, and techniques; and liaison with and support of intelligence initiatives within the intelligence community and within Treasury.

In the regulatory area, FinCEN will be able to achieve the following FY 2008 quantifiable results and accomplishments with the requested funds:

- Process enforcement matters within the target of one year;
- Create performance targets designed to show progress based on a survey of Regulatory Resource Center customers rating guidance received as understandable;
- Continue to work toward developing measures of the impact of program activities on preventing the misuse of the financial system by those engaged in illicit activities; and
- Increase the number of information sharing agreements with federal and state regulatory agencies to 52.

In the analytical and global areas, FinCEN will be able to achieve the following FY 2008 quantifiable results and accomplishments with the requested funds:

- Increase the percentage of customers finding FinCEN's analytic reports highly valuable to 79 percent;

- Evaluate the feasibility of a better assessment of the law enforcement impact of FinCEN's products;
- Increase participation in conferences and seminars to provide enhanced technical assistance and training to financial intelligence units and foreign delegations; and
- Connect 98 percent of the countries admitted to Egmont to the Egmont Secure Web within one year of admission.

FinCEN will achieve the following FY 2008 quantifiable results and accomplishments for collecting and sharing BSA data with the requested funds:

- Increase e-filing towards the long-term target of 90 percent;
- Reduce the cost per BSA form E-filed to \$0.15;
- Increase the number of top filers who file reports electronically towards the long-term goal of 650; and
- Increase the number of users accessing BSA data towards the long-term goal 10,000.

3.2.1 – BSA Administration and Analysis Budget and Performance Plan

Dollars in Thousands

BSA Administration and Analysis Budget Activity			Includes Strategic Objective F3A		
Resource Level	FY 2004 Enacted	FY 2005 Enacted	FY 2006 Enacted	FY 2007 President's Budget	FY 2008 Request
Financial Resources					
Appropriated Resources	\$49,127	\$63,635	\$64,458	\$81,143	\$76,889
Other Resources	3,341	1,541	4,473	1,541	1,541
Total Operating Level	\$52,468	\$65,176	\$68,931	\$82,684	\$78,430
Human Resources					
Appropriated FTE	277	309	330	352	356
Other FTE	1	1	1	1	1
Total FTE (direct and reimbursable)	278	310	331	353	357

BSA Administration and Analysis Budget Activity			Includes Strategic Objective F3A			
Measure		FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
Average time to process enforcement matters (in Years) (E)	Target	1.2	1.1	1	1	1
	Actual	1	1.3	1		
	Met	Yes	No	Yes		
Number of federal and state regulatory agencies with which FinCEN has concluded memoranda of understanding information sharing agreements (Ot)	Target		Baseline	45	50	52
	Actual		41	48		
	Met		Yes	Yes		
Percentage of BSA compliance examinations conducted on depository institutions that indicate a systemic compliance failure with their BSA program. (Ot)	Target		Baseline	Baseline	Baseline*	TBD
	Actual		7.90%	8%		
	Met					
Percentage of customers finding FinCEN's analytic reports highly valuable (Oe)	Target			Baseline	78%	79%
	Actual			77%		
	Met			Yes		
Percentage of Regulatory Resource Center customers rating the guidance received as understandable (Oe)	Target			Baseline	90%	90%
	Actual			94%		
	Met			Yes		
Percentage of customers satisfied with the BSA Direct E-Filing component (Oe)	Target			Baseline	90%	90%
	Actual			92%		
	Met			Yes		

Key: Oe - Outcome Measure, E - Efficiency Measure, Ot - Output/Workload Measure

*FinCEN requires three years of data to establish a baseline for this performance measure to ensure that at least one examination is included for all financial institutions covered by BSA regulations.

Description of Performance.

FinCEN conducted a baseline survey of the Regulatory Resource Center customers rating the regulatory guidance received as understandable and established an FY 2006 baseline of 94 percent. Providing understandable guidance to financial institutions is critical to establishing programs that comply with the BSA.

In FY 2007, FinCEN will continue to work toward developing improved outcome measures to address the impact of program activities on preventing the misuse of the financial system by those engaged in illicit activities. As part of the 2006 Program Assessment Rating Tool (PART) process, FinCEN established a measure for the percentage of bank examinations conducted by

the Federal Banking Agencies indicating a systemic failure of the anti-money laundering program rule, with a baseline to be established in FY 2007. FinCEN will work toward effectively interpreting and utilizing the measure in its efforts to monitor, understand, and improve aspects of Bank Secrecy Act compliance. In addition, FinCEN will explore the feasibility of developing useful measures for other industries, such as money services businesses.

FinCEN works closely with its regulatory partners to take enforcement action against institutions that systemically and egregiously violate the provisions of the BSA, including through imposition of civil money penalties in appropriate matters. Timely enforcement action communicates urgency to financial institutions, and is paramount to deterring non-compliance. In FY 2006, FinCEN met its target measure of 1.0 years average time to process cases. The year-to-date actual result of 1.0 years reflects effective use of resources.

FinCEN supports law enforcement and its regulatory industry partners by facilitating information sharing and providing analyses of BSA data. In FY 2006, a survey of FinCEN's customers found that 69 percent rated FinCEN's analytic products as valuable, which did not meet FinCEN's 75 percent target. FinCEN's original target of 75 percent respondents rating their analytic product as valuable was established in FY 2005, and was based on one year of data. FinCEN has revised this measure as a result of the FY 2006 PART process to more accurately target its disparate audiences as well as its different products. The reformulated measure more closely ties to how BSA data is used by law enforcement, regulators and international partners to identify, stop, and prevent abuse of the financial system.

In FY 2006 FinCEN had surpassed its target of 30 days by transmitting information to Financial Institution Hotline Tip SARs within 19 days. This measure tracks the median time taken from date of receipt of Financial Institution Hotline tip SAR to transmittal of the report to law enforcement or the intelligence community.

FinCEN conducted a baseline survey of the users of the BSA Direct E-Filing system to determine the overall satisfaction level and to identify where improvements are needed. The FY 2006 results indicate that 92 percent of respondents are satisfied with the BSA Direct E-Filing system.

3B – Regulatory Support Programs (\$8,955,000 from direct appropriations): This activity supports implementation, strengthening and clarification of the anti-money laundering program, recordkeeping, and reporting requirements of the BSA for financial institutions subject to those requirements. FinCEN will also continue efforts with the Internal Revenue Service, especially related to the money services business industry, to ensure compliance, respond to public inquiries, distribute forms and publications, and support collection and maintenance of the BSA data. These resources support Internal Revenue Service BSA compliance activities for non-banking financial institutions, especially related to the money services business industry.

3.2.2 – Regulatory Support Programs Budget and Performance Plan

Dollars in Thousands

Regulatory Support Programs Budget			Includes Strategic Objective F3A		
Activity	FY 2004 Enacted	FY 2005 Enacted	FY 2006 Enacted	FY 2007 President's Budget	FY 2008 Request
Resource Level					
Financial Resources					
Appropriated Resources	\$8,104	\$8,287	\$8,436	\$8,651	\$8,955
Other Resources	0	0	0	0	0
Total Operating Level	\$8,104	\$8,287	\$8,436	\$8,651	\$8,955
Human Resources					
Appropriated FTE	0	0	0	0	0
Other FTE	0	0	0	0	0
Total FTE (direct and reimbursable)	0	0	0	0	0

Description of Performance.

We will be able to achieve the following FY 2008 quantifiable results and accomplishments related to money services businesses with the requested funds:

- Support the collection and processing activities at Internal Revenue Service.
- Track the number of Money Service Businesses (MSBs) registered. The current level is 32,081 and the goal is to maintain at least that level.
- Continue efforts to identify potentially unregistered MSBs by performing the following: analyzing SAR information on a monthly basis for indications of possible unregistered MSBs; coordinating with law enforcement and state regulatory agencies on appropriate outreach; and continuing efforts to educate MSBs regarding requirements for registration by publishing guidance and participating in industry forums and events.
- Continue to investigate methods for measuring the extent of BSA compliance among MSBs.

For detailed information about each performance measure, including definition, verification and validation, please go to:

http://www.treas.gov/offices/management/dcfo/accountability-reports/2006-par/Part_IV_Appendices.pdf

Section 4 – Supporting Materials

4.1 – Human Resources Table

Changes in Full Time Equivalent

Direct FTE		FY 2006	FY 2007	FY 2008
Base: Year-end Actual from Prior Year		277	296	352
Increases:				
Reason #1:	Normal Accession	15	15	15
Reason #2:	New Staffing Initiatives	13	18	4
Reason #3:	Prior Year High Accessions	20	38	
Subtotal, Increases:		48	71	19
Decreases:				
Reason #1:	Normal Attrition	-15	-15	-15
Reason #2:	Extra High Attrition	-14		
Subtotal, Decreases:		-29	-15	-15
Targets		310	352	
Year-end Actual/Estimated FTEs		296	352	356
Net Change from prior year SOY to budget year EOY				60

4A – Human Capital Strategy Description

The Financial Crimes Enforcement Network created a strategic human capital objective to attract, develop and retain a high-performing diverse workforce. The key areas of the strategic human capital objective and related accomplishments are listed below.

Strategic Alignment: Each of the four strategic objectives in FinCEN's FY 2006-2008 Strategic Plan include areas that require more employees and/or employees with enhanced skills. Additionally, the Strategic Plan has a management objective to attract, develop and retain a high-performing diverse workforce.

Workforce Planning & Deployment: FinCEN estimates that 21 percent of the current workforce will be eligible for retirement between now and FY 2010. In terms of competitive sourcing, FinCEN submitted its FY 2006 FAIR Act Inventory to the Department in April 2006, and continues to rely upon the private sector to perform its commercial activities, especially in the information technology environment.

Leadership and Knowledge Management: FinCEN leaders and managers effectively manage people and sustain a learning environment that drives continuous improvement in performance. In FY 2006, FinCEN implemented an aggressive training strategy for its managers. By the end of the fiscal year, it is anticipated that all managers will have completed external training in executive leadership competencies. In addition, all managers were trained in how to handle conduct and performance problems. FinCEN's leadership actively encourages employees to take advantage of the increased training opportunities available.

Results-Oriented Performance Culture: In order to create a results-oriented, high performing workforce, FinCEN abolished the pass/fail performance system in FY 2005 and established a new 5-tier performance management system. The new performance system requires each employee to establish an individual development plan and three individual commitments linked directly to the strategic plan. The new performance system allows managers to differentiate performance levels among employees and hold employees accountable for meeting specified performance goals and targets.

Subsequently, FinCEN implemented the Awards and Recognition Program, including the Director's Awards and Recognition Program. In May 2005, the Director's Awards Program acknowledged 11 employees of whom 18 percent were minorities and 45 percent female. Following the first year on a multi-tier performance management program, 68 percent of the workforce was rated above the fully successful level and were appropriately recognized, while .02 percent were rated below fully successful and appropriate remedial actions were taken.

Diversity: FinCEN completed several efforts to ensure a diverse workforce is maintained. Major efforts are listed below:

- Held an annual Diversity Day Conference consisting of six workshops on various topics. Approximately 70 percent of the workforce attended the conference;
- Continued participation in the Treasury Diversity Council and its support group;
- Established and maintained a Diversity Advisory Committee;
- Established a mandatory Equal Employment Opportunity (EEO)/Diversity element addressing EEO principles, workplace conflict, supporting EEO plans and diversity hiring requirements in all supervisory performance plans; and
- Created an EEO/Diversity Manager and Employee of the Year award to recognize individuals who made outstanding contributions to building and maintaining a diverse, high-quality workforce.

Talent: FinCEN established a new training office charged with developing defined paths for career progression, mentoring and coaching programs to identify and grow talent, and enhancing the skills of existing employees. In terms of mission critical occupation, FinCEN has targeted Intelligence Research Specialists and Information Technology Specialists for enhanced skills training to meet identified skills gaps. In FY 2006 specialized training was provided on improving job performance in these occupations.

Additionally, FinCEN took advantage of many hiring authorities and flexibilities within the last year. For example, in FY 2006, 16 students were hired under the Student Temporary Employment Program (STEP); 10 in FY 2005, and 8 in FY 2004. Two students have been hired

under the Student Career Employment Program (SCEP). FinCEN utilized both the Veterans Employment Opportunity Act (VEOA) and the Veteran Rehabilitation Act (VRA) by making two appointments on each authority over the past three years, and within the last two years made four appointments utilizing the Outstanding Scholar Program.

Accountability: In the 3rd quarter FY 2006 Quarterly Hiring Timeline Report, FinCEN averaged 42 days, which is under the 45 day hiring timeframe. Additionally, in the Performance Appraisal Assessment Tool, FinCEN quoted Federal Human Capital Survey results indicating that 81% of FinCEN employees know how their work relates to the agency's goals and priorities and 76% feel that they are held accountable for achieving results. FinCEN was also able to clearly show distinctions of and consequences in levels of performance FinCEN just completed a workforce analysis of retirement eligibility of its Mission Critical Occupations for both 2011 and 2016 and recently did a FinCEN employee survey to follow up on some issues from the last Federal Human Capital Survey.

4.2 – Summary of IT Resources Table

Dollars in Millions

Information Technology Investments									
(in \$ Millions) Note: All years includes FTE Costs and reimbursable		FY 2005		FY 2006	% Change from FY05 Obligations to FY06	FY 2007		FY 2008	
Major IT Investments	Budget Activity	Operating Plan	Obligations	Operating Plan		President's Budget	% Change from FY06 to FY07	Request	% Change from FY07 to FY08*
BSA Direct Components									
Secure Outreach	BSA Administration and Analysis	1.9	1.9	1.9	0.0%	2.3	21.1%	2.1	-8.7%
BSA E-Filing	BSA Administration and Analysis	1.7	1.7	1.8	5.9%	3.2	77.8%	4.2	31.3%
BSA Retrieval and Sharing	BSA Administration and Analysis	7.9	7.9	4.3	-45.6%				
Crossborder Wire Transfer System	BSA Administration and Analysis					10.0	N/A	2.5	-75.0%
Total Major IT Investments		11.5	11.5	8.0	-30.4%	15.5	93.8%	8.8	-43.2%
Total Non-Major IT Investments		4.8	4.8	4.8	0.0%	8.9	85.4%	8.2	-7.9%
Total Infrastructure Investments		8.2	8.2	10.9	32.9%	9.0	-17.4%	10.9	21.1%
Enterprise Architecture		0.1	0.1	0.3	200.0%	0.2	-33.3%	0.4	100.0%
Total IT Investments		24.6	24.6	24.0	-2.4%	33.6	40.0%	28.3	-15.8%

* The BSA E-Filing FY 2008 Request includes the FY 2007 President's Budget program funds plus the annualization of approved FY 2006 FTE increase, which was counted in IT Infrastructure in the FY 2007 President's Budget.

4B – Information Technology Strategy

FinCEN's Information Technology (IT) Strategic Plan is intended to provide insights into the bureau's vision of how best to leverage the rapidly evolving technology environment to satisfy its critical business goals; comply with federal mandates and guidance; and ensure FinCEN's place in the Department of the Treasury as an excellent manager of information assets. The mission of FinCEN's IT management and staff is to effectively and efficiently apply proven, commercially available products and explore new technologies in support of the organization's efforts to safeguard the financial system from the abuse of financial crime.

The goals of the FinCEN IT Strategic Plan are to: support regulatory compliance and promote electronic interchange information; facilitate analysis of collected data; facilitate the electronic dissemination of information; align the IT infrastructure with operational needs; and develop a model information resources management program. FinCEN currently has performance metrics for each major IT goal and identifies these in the IT Strategic Plan.

Performance measure highlights for each IT strategic goal are listed below:

- Goal 1: increase the number of BSA reports filed electronically, increase the number of users finding information accessed to be useful and easy to find, and decrease the timeframe required for financial institutions to begin using FinCEN systems and technologies;
- Goal 2: reduce the time needed to search the BSA data by integrating multiple data systems into one single BSA data repository;
- Goal 3: reduce the time for users to obtain authorized access to the BSA data, increase the number of BSA users and ensure that all qualifying Egmont members have access to the Egmont Secure Web;
- Goal 4: reduce the average down time for system and network maintenance; and
- Management Goal 5: expand the number of staff certified in best project management practices and increase the percentage of IT staff who report understanding of roles in the IT organization.

Projects are also continually reviewed to ensure continued modernization, especially for security purposes, or to provide cost savings.

4.3 – PART Evaluation Table

PART Name:	Bank Secrecy Act Data Collection, Retrieval and Sharing
Year PARTed:	FY 2005
Rating:	Moderately Effective

OMB Major Findings/Recommendations

1. The program has long-term performance measures that focus on the program's purpose and strategic goals, but more work is needed to measure data quality.
2. Federal managers are held accountable for cost, schedule and performance results. However, some activities are managed by another entity and are outside the scope of the performance measures.
3. The program can show improved efficiencies and cost effectiveness for collecting and sharing data. The program has been able to show substantial increases in the number of users directly accessing data, the share of filings submitted electronically,

Bureau Actions Planned or Underway

1. Surveying users to determine if they are receiving needed information in a timely manner, if the information is helpful, and if there are any problems with the information and format. This survey will be conducted in stages. A survey on BSA e-filers is the first component; FY 2006 baseline survey results show that 92 percent of the customers were satisfied with E-filing. For this component, future targets will be to maintain a score of at least 90 percent. In FY 2007, in addition to a survey for e-filing, FinCEN will begin surveying the WebCBRS and Secure Outreach users.
2. Creating targets to measure the number of top 650 filers who file reports electronically. FinCEN has created the targets and implemented the performance measure.
3. Creating a performance measure to measure the quality of information provided on Suspicious Activity Reports, possibly by measuring the number of completed fields that are critical to law enforcement. FinCEN plans to measure the critical field omission rate of E-filed SARS; FY 2005 baseline was a rate of 18%. FinCEN is working on establishing FY 2006 actuals. Targets will be decided once FinCEN has at least two years of data points. FinCEN expects to have future targets for this measure by the second quarter of FY 2007.

PART Name: Bank Secrecy Act (BSA) Analysis

Year PARTed: FY 2006

Rating: Adequate

OMB Major Findings/Recommendations

1. The Financial Crimes Enforcement Network (FinCEN) currently administers a survey to its customers to evaluate the impact and usefulness of its analytic reports. The response rate for 2006 was significantly increased for financial institutions and foreign intelligence units (FIUs), but more work is needed to increase the response rate for domestic law enforcement customers.
2. FinCEN currently administers a survey to its customers to evaluate the impact and usefulness of its analytic reports, but more work is needed to develop a method for better assessing the law enforcement impact of FinCEN's analytic products.
3. FinCEN has developed plans to expand the percentage of advanced analytical products that it produces, but significant effort will be required to achieve its long-term target of 75 percent in FY 2008. FinCEN has increased the percentage of advanced analytic products from 1.6 percent in FY 2004 to 30 percent in FY 2006.

Bureau Actions Planned or Underway

1. Developing a plan to improve the survey response rate from domestic law enforcement.
2. Evaluating the feasibility of better assessing law enforcement impact of FinCEN's products.
3. Developing measures of the impact of FinCEN's efforts to strengthen anti-terrorist financing and anti-money laundering programs worldwide.

PART Name: Bank Secrecy Act (BSA) Administration

Year PARTed: FY 2006

Rating: Results Not Demonstrated

OMB Major Findings/Recommendations

1. Questions have been raised concerning compliance and burden issues relating to the regulations FinCEN issues, and more time is needed to examine the costs and benefits of the reporting requirements.
2. Although FinCEN has made progress in executing memoranda of understanding agreements (MOUs) governing the exchange of information with federal and state regulatory agencies, additional time is needed to ensure BSA compliance in more vulnerable industries, particularly the money services business industry.
3. The program has annual performance measures that focus on the implementation of the Bank Secrecy Act, such as the number of MOUs that have been entered into, but more work is needed to measure the impact of program activities on preventing the misuse of the financial system by those engaged in illicit activities.

Bureau Actions Planned or Underway

1. Expanding outreach efforts to certain targeted industries to augment their understanding of the value of BSA data.
2. Developing a long-range plan to expand compliance oversight and reporting by state regulators for newly covered industries.
3. Developing measures of the impact of program activities on preventing the misuse of the financial system by those engaged in illicit activities.

For a complete list of PART results visit the following website:

<http://www.whitehouse.gov/omb/expectmore/all.html>